Financing Competition Process
For the Presidio Parkway P3 Project

Overview

Below is the structure, process, and protocol ("IPDC Protocol") for a competition for Developer to place the Initial Project Debt for the Project (the "IPDC").IPDC This competition is to be undertaken by the Developer prior to financial close under the comprehensive development lease agreement ("Agreement") for the Presidio Parkway P3 Project "Project"). The IPDC shall be under the purview and control of Developer, subject only to the opportunity for the Department to provide comments, to observe, monitor and audit, and to require certain approvals, as set forth in this IPDC Protocol.

The purpose of this IPDC Protocol is to accomplish the Key Objectives set forth below through Developer's conduct of a robust, comprehensive, and fair competition for funding proposals from a broad array of institutional Lenders indicating potential interest in providing Developer initial debt financing for the Project. All actions and decisions under or relating to this IPDC Protocol shall be directed toward fulfilling this purpose.

The IPDC Protocol incorporates the following Key Objectives of the California Department of Transportation ("Department") and the Developer:

- Delivering best value financing available;
- Keeping the Maximum Availability Payments as low as possible and in any case below the Affordability Limit set forth in the Agreement; and
- Ensuring that the Initial Project Debt is placed and Financial Close occurs with no changes to the Agreement and other Contract Documents, including no changes in the risk allocation between public and private sectors, unless the Department in its sole discretion allows otherwise.

The IPDC incorporates 4 phases:

- Core Lender Phase from issuance of the RFP through to selection of Developer and commercial close (i.e. execution and delivery of the Agreement)
- IPDC Preparatory Phase following commercial close
- IPDC Initial Submission Phase to short-listing Lenders
- IPDC Final Submission leading to close of financing pursuant to the Agreement ("Financial Close")

The described approach and procedures for conducting the IPDC set forth in this IPDC Protocol are a plan only, both in general and in the specific, which will remain flexible and able to respond to issues and circumstances as they develop. In practice,

therefore, it is possible that the actual approach and procedures adopted in the process of conducting the IPDC and reaching Financial Close will differ from those set out below, subject to the approval of such changes by the Department.

Principles of the IPDC

- The IPDC shall be transparent and open to observation by the Department, its advisors and other public sector stakeholders.
- Developer will propose additional IPDC structure and schedule milestones for approval by the Department in advance of commencing the IPDC. The schedule milestones shall be consistent with all Completion Deadlines;
- The Developer will manage and control all operational aspects of the IPDC and maintain a robust audit trail of all correspondence with potential Lenders;
- The Developer will keep the Department informed of the IPDC progress at all times, including consultation with the Department on a timely basis on matters that may affect the Key Objectives;
- The Department shall have the right to disapprove any aspect of the IPDC if the Department is of the view, acting reasonably, that such aspect may materially and adversely affect the Department or the Key Objectives; and
- The Department shall have the right to review and audit all correspondence, documentation and other books and records relating to the IPDC. The Department shall have the right to attend meetings as they deem necessary.

Management and supervision of the IPDC

The IPDC will be managed and conducted by the Developer's designated finance team ("Developer's Finance Team"); working in cooperation with the Department's designated finance team ("Department's Finance Team"). Each Party will deliver to the other at or prior to commercial close written notice identifying the members of its Finance Team. Each Party will keep the other currently informed of subsequent changes to the members of its Finance Team.

The Department's Finance Team will be the first line of reporting for the Developer's Finance Team. Working jointly, the Department's Finance Team and the Developer's Finance Team will be known as the Joint Finance Working Group ("JFWG"). Participation of the Department's Finance Team in the JFWG shall be for the purposes of providing input and comments on matters and issues affecting attainment of the Key Objectives, protecting the Department's interest in attaining the Key Objectives, and observing and monitoring the IPDC process. The Department's participation is not intended and shall not be used to direct or control the conduct of the IPDC.

In addition, the IPDC process will be supervised by a Principals Finance Group ("PFG"), to ensure the achievement of the Key Objectives. The PFG will be selected from Developer's Finance Team, provided that the Department may select [one – two]

non-voting member[s] from the Department's Finance Team. The PFG is expected to number approximately 4- individuals.

The PFG may receive support from advisors and members of the JFWG, as requested. In addition, the Developer's Core Lenders may provide support and input to the JFWG, as necessary. Core Lenders are defined as those who supported the Developer's Proposal and provided letters of support and term sheets.

No individual serving as a financial advisor to Developer on the JFWG or PFG may participate with, or receive special economic benefit from placing financing with, any potential Lender, whether as advisor, underwriter or otherwise, in any manner in connection with the IPDC or the Initial Project Debt. Prior to commencing any activity under this IPDC Protocol, Developer shall deliver to the Department (a) a written agreement from each such financial advisor agreeing to the foregoing and (b) a written agreement from each such financial advisor's firm confirming that (i) such advisor will not receive any such special economic benefit and (ii) the firm has established, and will maintain through Financial Close, strict ethical walls that will prevent any information or knowledge gained by the financial advisor from being used by such firm or any potential Lender, except that which is distributed by Developer to all potential Lenders.

IPDC Phases

Each phase of the IPDC is set out below together with the anticipated actions and review points.

1. Core Lender Phase : From issuance of the Request for Proposals (RFP) through selection of Developer

It is anticipated that each proposer will select a small group of Core Lenders to work with to ensure that project funding is "market ready".

The ITP sets out certain requirements which proposers' financial proposals must satisfy, including:

- Development of a full financing solution, including term sheets with letters of support from Core Lenders which demonstrate dialogue with and approval by their credit committees;
- Confirmation of the level of due diligence undertaken, notably legal, insurance, and technical due diligence, on behalf of the Core Lenders;
- Evidence of Core Lenders' legal counsel input on the Agreement and on all material issues to achieve a market ready financing solution;
- Letters of support from Core Lenders acknowledging and accepting that an IPDC process may be run at any point from selection of Developer to Financial Close. The Core Lenders will also acknowledge that the Project will be ready to proceed to the IPDC process following commercial close;

- Written confirmation by the Proposer that it will keep its price fixed, subject only to reference interest rate movements as provided in the RFP and Agreement and changes in project debt financing terms from those assumed in its financial plan and Original Financial Model (this is without prejudice to rights to adjustment of Maximum Availability Payments on account of Relief Events to the extent provided in the Agreement); and
- Written confirmation that the Developer's blended equity IRR, in both real and nominal terms, shall not increase from the Proposal submission IRR levels.

The preferred proposer will provide the following at or prior to commercial close:

- Written confirmation from the Core Lenders stating their continued agreement to the financing terms provided in the original Proposal; and
- Written confirmation from the Core Lenders agreeing to the terms of this IPDC Protocol.

2. Preparatory Phase – Following commercial close and issuance of Financing Commencement Notice

Scope

The formal IPDC process will commence with a preparatory phase in which Developer identifies and engages likely participants.

Developer shall conduct an initial wide approach to the market (perhaps up to [20] potential Lenders (including PABs underwriters, the TIFIA JPO and Lenders) and produce a long list of credible funders of Initial Project Debt to take part in the next phase (perhaps up to [15] Lenders). A wide approach is critical to carrying out the purpose of this IPDC Protocol as set forth above.

Identifying potential Lenders

Developer shall submit a list of proposed Lenders to the JFWG for review and comment. The list shall identify any Lenders on the list that are also participants with Core Lenders. Developer then shall submit the proposed list, as modified based on such review and comment, to the Department, and the proposed list shall be subject to the Department's written approval for consistency with the foregoing purpose. The Department shall have the right to widen the pool of proposed Lenders.

It is anticipated that given the close involvement of the Core Lenders in the development of the Developer's proposal, the Core Lenders will not submit responses to the IPDC, but instead have the opportunity to match the terms offered and generated by the process up to a predetermined portion of the Initial Project Debt.

Contact with Lender long list

Developer's Finance Team will contact the Lender on the final list by emailing invitations in the agreed-upon form to establish their willingness to participate in the IPDC. Any who wish to do so will be required to sign a Non-Disclosure Agreement (NDA) in an agreed form (this may be waived or altered for the TIFIA JPO to conform to its regulations and policies).

Lender who acted exclusively as Core Lender for losing proposers will not be formally contacted until it has been confirmed that they have been released from any such undertakings to the extent necessary to allow them to participate in the IPDC.

The Department will be provided with an original version of each executed NDA.

Each potential Lender will be required to nominate a single contact name for ease of administration.

Data room

A collaborative software tool will be set up by Developer's Finance Team to manage provision and storage of all information and communications to and from potential Lenders. This includes the exchange of any clarification questions and responses. Unless deemed commercially sensitive, the responses will be made available to all participants. Responses will not be provided to commercially sensitive questions unless (a) the question is resubmitted (or can be rephrased by Developer) so that it does not contain content claimed to be commercially sensitive, (b) the relevant potential Lender agrees to dissemination of the question and response to all potential Lenders, or (c) Developer and the Department agree that responding to the question on a confidential basis will not give the potential Lender an unfair competitive advantage.

The data room will enable communication with participants to be controlled and monitored. This will show the robustness and transparency of the process to all stakeholders and provide an audit trail of the process.

Communications protocol

Meetings with potential Lenders will be designated as either formal or informal.

- Formal meetings with potential Lenders will be documented and Developer shall promptly provide the Department (and its advisors) with minutes of any formal meeting. Department shall have the right to attend, but will not be in charge of, formal meetings.

- Potential Lenders may from time to time wish to discuss the IPDC process informally with Developer, the Department, and/or their respective advisors. If the Department or its advisors receive any such requests or inquiries, they will forward them to Developer for handling and response. The Department will not unilaterally conduct informal meetings or communications. Informal meetings and communications with Developer are permitted under this IPDC Protocol as long as a file note is kept and distributed to the JFWG on any material matters discussed.

Any material information and clarifications about the IPDC process that are communicated to one potential Lender shall be promptly shared with all other identified potential Lenders.

3. Initial Submission Phase – From solicitation of responses to selection of short-listed Lenders

Concept

The output of this phase will be an understanding of the universe of interested Lenders and their likely appetite for the financing transaction. Initial feed back on financing capacity, tenor and price will be received at this point allowing for the financing transaction structure to be adjusted if necessary to move forward to Final Submission Phase.

This phase of the IPDC process will not commence until both the PFG and the Core Lenders have confirmed that they believe the financing transaction structure as set forth in the PIM is sufficiently detailed and finalized for the responses from potential Lenders to be meaningful and the Department has approved the PIM as set forth below.

Initial project documents

The initial approach to the market will be based on the work established through the Core Lender phase. This will include provision of the following documents:

- Preliminary Information Memorandum ("PIM") expected to include:
    - Project description and Developer's proposed solution
    - Key parties, corporate structure and contractual structure
    - Proposed financing plan including anticipated TIFIA and PABs allocations
    - Summary of due diligence carried out to date
    - Summary risk matrix setting out risk allocations between the Department, Developer and Contractors

- Summary of credit information respecting the State and sources for Milestone Payments and Availability Payments
- Timetable and process
- Requirements for submission

The following documents are likely to be issued as attachments:

- Contract Documents and all amendments thereto (if any)
- Preliminary legal due diligence report of Developer's legal advisor prepared originally for the Core Lenders
- Preliminary insurance due diligence report of Developer's insurance advisor prepared originally for the Core Lenders
- Preliminary technical due diligence report of Developer's Lead Engineering Firm and/or Lead Contractor prepared originally for the Core Lenders
- Term sheet template (i.e. not completed with blanks to complete) setting forth proposed terms and conditions for the financing transaction structure
- Financial Model output sheets along with sensitivities
- Contracts (and amendments thereto, if any) with the Lead Contractor and, if available, Lead Operations and Maintenance Firm
- Annual reports of Developer's equity members
- Credit information respecting the State and respecting the sources for Milestone Payments and Availability Payments

The PIM and all attachments will be submitted to the Department's Finance Team for review, consultation and approval. It is anticipated this will be an iterative process that will allow a full [five] business -day period of review of all documents in final form. Approval shall be for the purpose of determining that (a) the PIM and attachments are reasonably complete and reasonably accurate and (b) the proposed terms and conditions for the financing transaction structure set forth in the term sheet are the best available under the prevailing market conditions for optimizing the Key Objectives.

Responses from potential Lenders

The full set of submission requirements will be set out within the PIM. These will include:

- Comments on proposed security package and proposed terms and conditions of financing transaction structure
- Underwriting capacity and hold capacity

- Preliminary pricing with associated terms and conditions based on either underwriting or club basis or both
- Confirmation that the Lender can meet the project schedule and accepts the appointed Core Lender due diligence advisors
- A description of the credit process and timing required for full credit approval, including rating agency review and rating
- Comprehensive commentary on any issues raised by the review of the PIM and Appendices (and any other project documents and due diligence reports received)
- Experience in and willingness to undertake hedging – interest rate and CPI
- Experience and willingness to work with TIFIA JPO
- Experience with similar transactions
- Comments on the Financial Model and sensitivities

Responses to potential Lender questions, comments and requests for clarifications, and any clarifications to be requested from potential Lenders, will be prepared by Developer's Finance Team and subject to review and comment by the Department's Finance Team. Developer will issue responses and requests for clarifications after carefully considering such comments.

Evaluation

The evaluation will take place after responses, if any, are issued and the deadline to submit requested clarifications occurs. The evaluation will assess the robustness and deliverability of proposals from potential Lender objectively against clearly-defined criteria. Among the key areas of evaluation at Initial Submission Phase will be:

- Expressed interest and capacity for involvement
- Commercial acceptance of the proposed financing transaction and transaction structure
- Experience with similar projects
- Evidence provided that they can meet the project schedule
- Demonstrated understanding of the Project
- Price and capacity tendered
- Commitment to use one of the approved benchmarks for setting interest rates as listed in Appendix 2-__ of the Agreement

Developer will issue a detailed Initial Evaluation Report to the JFWG for discussion, clarification and comment. Thereafter, it will be revised as necessary and submitted to the PFG for approval.

The Initial Evaluation Report will provide qualitative and quantitative analyses with a recommendation of Lenders to be taken forward to the Final Submission Phase.

The Initial Evaluation Report also will discuss the structuring and pricing implications raised by the information and responses received through the Initial Submission Phase. There should be flexibility regarding the number of Lenders shortlisted, depending on the source of funding and nature of initial submissions. It may well be the case that all Lenders submitting offers are short-listed and taken forward to the Final Submission Phase.

The PFG will meet to review and consider the recommendations of the Initial Evaluation Report and act to approve or disapprove.

The Initial Evaluation Report shall also be subject to the Department's review and approval. Approval shall be for the limited purpose of confirming that Developer, the JFWG and PFG made the recommendations in a reasonable, good faith effort to optimize the Key Objectives.

Upon approval by the PFG and the Department, the process will proceed to the Final Submission Phase.

Selection of short-listed Lenders

Developer will inform all potential Lenders whether they have been short-listed. A formal de-brief for unsuccessful participants will not be offered until the competition is concluded.

Given the anticipated right-to-match arrangements offered to the Core Lenders, these institutions will be automatically short-listed.

4. Final Submission Phase from short-listing to Financial Close

Concept

Developer will develop the transaction structure against updated project information to a level which is "ready for credit", against a target price. The transaction structure shall be that which is the best available under the prevailing market conditions for optimizing the Key Objectives. In assessing prevailing market conditions, the Developer shall give particular weight to the structuring concepts, terms and conditions in the proposals from the short-listed Lenders at the initial submission phase, and may confer with each short-listed Lender in preparing the transaction structure. Developer shall submit the proposed transaction structure to the JFWG for review and comment. Developer then shall submit the proposed transaction structure, as modified based on such review and

comment, to the Department, and the proposed transaction structure shall be subject to the Department's written approval for consistency with the foregoing standard.

The output of this phase will be "ready for credit" offers for the transaction as structured, allowing the process to move forward to Financial Close. It would be the intention for there to be very few remaining conditions at the completion of this Phase.

Final submission phase documentation

Presentations to short-listed Lenders and rating agencies may be offered with Developer, the Department and due diligence advisors. They will address any outstanding issues regarding the transaction structure, due diligence information and project documentation.

At the appropriate time, updated and final project documentation will be provided to the short-listed Lenders. This will include:

- Updated PIM
- Contract Documents and amendments thereto (if any)
- Final legal due diligence report from Developer's legal advisor
- Final insurance due diligence report from Developer's insurance advisor
- Final technical due diligence report from Developer's Lead Engineering Firm and/or Lead Contractor
- Financing Agreements
- Contracts (and amendments thereto, if any) with the Lead Contractor and, if available, Lead Operations and Maintenance Firm
- Updated credit information respecting the State and respecting the sources for Milestone Payments and Availability Payments
- Updated Financial Model and sensitivities (using funding terms agreed at Initial Submission Phase)
- Model auditor report (including tax and accounting sign off)

Evaluation Criteria

Developer will submit to the JFWG for its approval the evaluation criteria for final submission. The evaluation criteria shall consist of a pass-fail component and a quantitative assessment component.

The pass-fail component will be to:

- Confirm that the final submission uses one of the approved benchmarks for setting interest rates as listed in Appendix 2-__ of the Agreement or as otherwise approved by the Department in writing in its good faith discretion
- Confirm no further comments on project documentation
- Agreement with final due diligence reports
- Confirm any updated terms
- Confirm full credit approval with a binding commitment valid for 90 days

The quantitative assessment component will determine the Maximum Availability Payments that would be required under the terms and conditions of the final submission assuming application of the Department-approved transaction structure.

Evaluation of Final Submissions

The content of final submissions at this phase in the process will be a consolidated list of required "bid items", e.g., margins, ratios etc., as well as information to determine whether the submission meets the pass-fail analysis. There may be some need for final harmonization of financing terms or other clarifications and therefore it may be necessary to have final confirmation of or revised final submissions.

Each final submission that meets the pass-fail criteria will be evaluated under the adopted evaluation criteria and the results summarized and ranked in a Final Evaluation Report. The Final Evaluation Report will include quantitative analysis of Maximum Availability Payments under each such final submission assuming the Department-approved transaction structure, consisting of updated Financial Models using the financing terms for each such final submission and solving for the equity IRR at the same rate as in the Original Financial Model. The Lenders shall be ranked in order from the proposal that produces the lowest Maximum Availability Payments (ranked first) to the proposal that produces the highest.

The Final Evaluation Report also will include the basis of the offer to be issued to the Core Lenders to enable their right to match to be exercised.

Developer will issue a detailed Final Evaluation Report to the JFWG for discussion, clarification and comment. Thereafter, it will be revised as necessary and submitted to the PFG for approval. The Final Evaluation Report shall also be subject to the Department's review and approval. Approval shall be for the limited purpose of confirming proper application of pass-fail criteria and proper ranking.

As part of this final process, the Core Lenders may exercise their right to match up to a combined total principal amount of the required financing equal to that set forth in their

letters of support included in the Developer's proposal. Promptly after selection, Developer shall deliver to the Core Lenders written notice setting forth all the material financing terms to be matched and informing the Core Lenders that they have [ten] days from delivery of the notice to exercise their right to match. The right to match shall be capable of exercise only by the Core Lenders delivering to Developer within such [ten]-day period written notice setting forth (a) an unconditional election to match, (b) the total amount of the financing they elect to match, (c) confirmation that all the financing terms have received credit committee approval, and (d) confirmation that the notice constitutes a binding commitment valid for 90 days, subject only to the commitment conditions allowed under the terms established for the final submissions. Such deadline may not be extended for any reason without the approval of the selected Lenders and Developer. If the Core Lenders for any reason fail to deliver notice of exercise as required above by such deadline, the right to match shall automatically terminate. Time is of the essence to the Department and Developer in exercising the right to match.

5. Final Credit Confirmation

At the conclusion of the Final Submission Phase there will be a set of selected Lenders (which may include matching Core Lenders) which will have credit approval to proceed to Financial Close. The selected Lender will be required to submit or update their credit approval based on the harmonized terms as provided at the conclusion of the 4th Phase ("Final Credit Confirmation").

No new information will be presented, except for:

- Updated Financial Model and sensitivities (using funding terms agreed at Final Submission Phase); and
- Final Initial Financing Documents.

This concludes the IPDC.

Lender, The Financial Model will be adjusted to reflect final Initial Financing Documents and will only be subject to the relevant benchmark interest rate adjustments between date of Final Credit Confirmation and Financial Close.